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**Introduced by Senator Morrow**

February 19, 2003

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An act to amend Section 987.88 of the Military and Veterans Code, relating to veterans.

LEGISLATIVE COUNSEL'S DIGEST

SB 385, as introduced, Morrow. Veterans: farm and home purchases: life or disability insurance.

Existing law, the Veterans' Farm and Home Purchase Act of 1974, permits the Department of Veterans Affairs to enter into a master agreement with one or more insurance companies to provide life or disability insurance coverage for purchasers of farms or homes under the program.

Existing law requires the master agreement to provide for the maintenance of reserves as the department, after advising the California Veteran's Board and after consultation with the Insurance Commissioner, deems appropriate and prudent. These reserves are prohibited from being more than 20% in excess of actuarial requirements plus a reasonable contingency reserve.

This bill would, instead, prohibit these reserves from being more than 25% in excess of actuarial requirements plus the reasonable contingency reserve.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 987.88 of the Military and Veterans
- 2 Code is amended to read:

1     987.88. (a) In the event the department enters into a master  
2 agreement with one or more insurance companies to provide life  
3 or disability insurance coverage for the purchasers of farms and  
4 homes from the department, the master agreement shall provide  
5 that the life insurance will be offered to purchasers who are  
6 disabled solely as a result of their qualifying military service and  
7 to nondisabled purchasers on an equal basis and that no purchaser  
8 shall be denied coverage solely because that purchaser has a  
9 qualifying military service-connected disability at the time of  
10 application. Notwithstanding Part 2 (commencing with Section  
11 10110) of Division 2 of the Insurance Code, the life or disability  
12 insurance shall be a form of group life or group disability  
13 insurance.

14     (b) The master agreement shall provide for maintenance of  
15 those reserves as the department, after consultation with the  
16 Insurance Commissioner, deems appropriate and prudent, and the  
17 department may use from time to time any accumulated surplus in  
18 those reserves, or any refunds or returns therefrom upon  
19 termination of the agreement, for the purposes of this article or of  
20 any veterans general obligation or revenue bond act. Any and all  
21 acts of the department in maintaining and using the reserves  
22 consistent with this subdivision are hereby ratified and confirmed,  
23 it having at all times been the intent of the Legislature that reserves  
24 be maintained and that any surpluses therein or refunds or returns  
25 therefrom be used by the department for the purposes stated in this  
26 subdivision.

27     (c) Notwithstanding subdivision (b), on and after January 1,  
28 ~~1987~~ 2004, any reserves maintained under the master agreement  
29 shall not exceed a level greater than ~~20~~ 25 percent in excess of  
30 actuarial requirements plus a reasonable contingency reserve, as  
31 determined annually by the department, and the department may  
32 contract with one or more independent actuaries or actuarial firms  
33 to assist the department in the annual determination.

34     (d) Any departmental proposal to enter into, revise, amend,  
35 renew, extend, or cancel, any agreement described in this section  
36 shall be a policy change subject to subdivisions (b), (c), and (d) of  
37 Section 84.

